

# ***Preliminary Assessment of American Community Survey Data Shows Housing Affordability Gap Worsened for Lowest Income Households from 2007 to 2008***



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## **Introduction**

A preliminary analysis of the 2008 American Community Survey (ACS) with comparison to the 2007 ACS shows that the shortage of housing that extremely low income households can afford has increased. For every 100 extremely low income (ELI) renter households, there were just 37 rental units that were both affordable and available to them in 2008. There were 39 such units in 2007.

In 2007 the nation's housing market was teetering after an unprecedented run up in prices; the broader economy was beginning to stumble. By 2008, the for-sale housing market was in free fall and the economy was heading downward. However, market weaknesses that lead to lower rents and greater affordability were offset by a growing numbers of renter households and falling incomes.

Despite the cooling of the housing market in these years, the growth in demand for rentals and a measured decline in rental units affordable to the lowest income households exacerbated, rather than ameliorated, the persistent mismatch that the lowest income families face between their incomes and the costs of the available housing in this country.

## **The Absolute Shortage of Affordable Housing Grows**

From 2007 to 2008, the number of renter households nationwide increased from 36.7 million to 37.8 million, or 2.4%. The number of ELI renters increased from 8.9 million to 9.2 million (Figure 1, next page) over the year. Among the five income categories used in this analysis, the increase in the ELI category was the largest in number terms. As a percentage change, the 3.5% growth in renters in the ELI category was second only to that in the 'above moderate income' category, which experienced a 4.0% increase. At the same time, the number of units affordable to ELI households declined from 6.2 million to 6.1 million units<sup>1</sup>.

Income categories are defined by comparing a household's income to its state's median family income (SMFI).

Extremely Low Income (ELI): 0-30% of SMFI

Very Low Income (VLI): 31-50% of SMFI

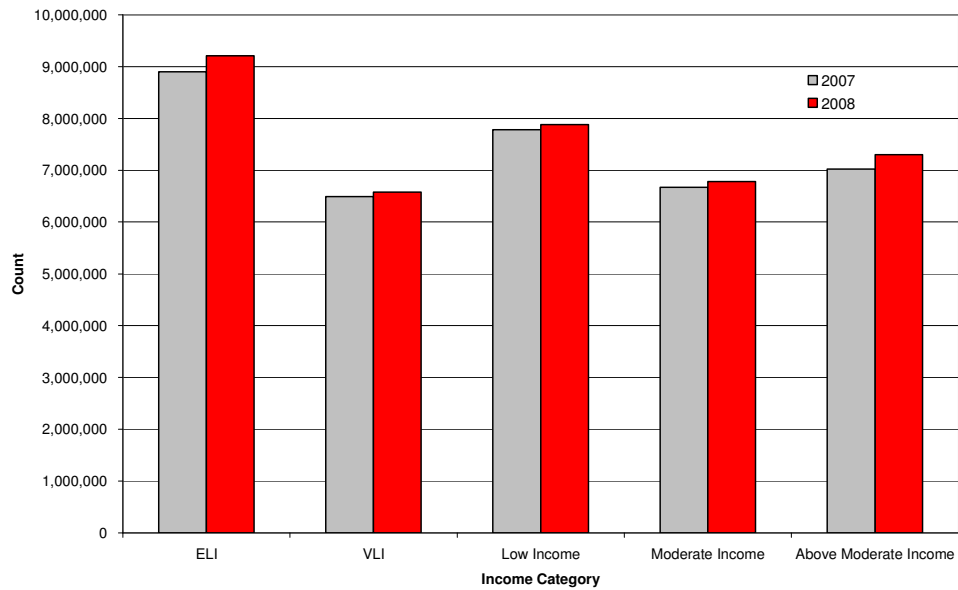
Low Income (LI): 51-80% of SMFI

Moderate Income: 80%-120% of SMFI

Above Moderate Income: >120% SMFI

<sup>1</sup> The findings in this research note come from a comparison of NLIHC tabulations of the 2007 and 2008 American Community Survey Public Use Microdata Sample (PUMS) housing file. Due to a change in the Census Bureau's recommendation for adjusting housing costs, some NLIHC tabulations related to housing costs in 2007 may be somewhat different from those reported previously. As with any sample, estimates in this report are subject to statistical error. For more information on the accuracy of the American Community Survey please see U.S. Census Bureau (2009). For more information on Gap analysis and NLIHC's accounting for housing costs in the American Community Survey see Pelletiere (2007) and Wardrip and Pelletiere (2008). Income thresholds in this report are calculated from state median family incomes from the 2008 ACS, adjusted for family size.

**Renter Households by Income Category, 2007 and 2008**

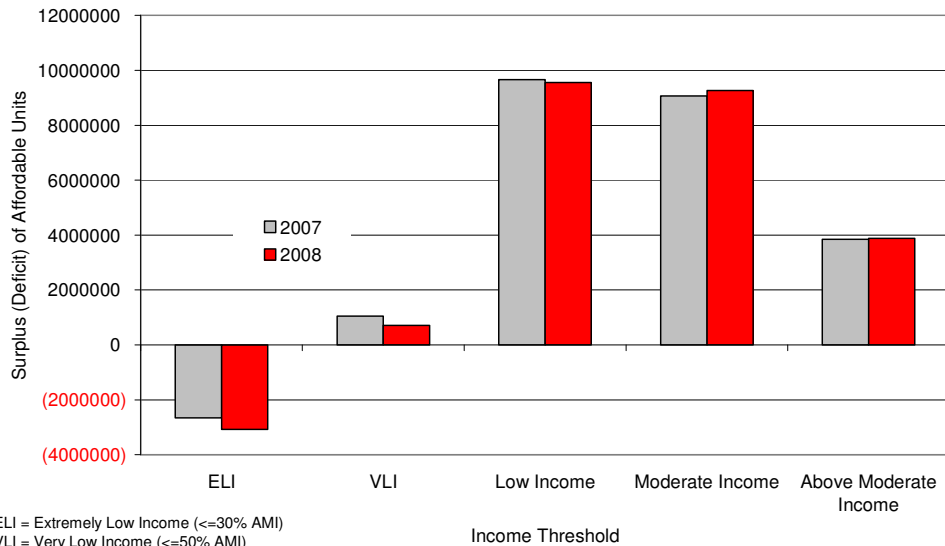


Source: NLIHC Tabulations of 2008 American Community Survey Data

**Figure 1 The number of renters grew at all income levels from 2007 to 2008**

As a result of growing demand for low-cost rental housing and its shrinking supply, from 2007 to 2008, the absolute shortage of affordable rental homes for the lowest income households nationwide increased from 2.7 million to 3.1 million homes (Figure 2). In 2008, if every ELI renter household in the country had been provided with a rental home currently affordable at or below the ELI threshold, regardless of the units' current occupants, locations or qualities, there would still have been more than 3 million households that would have needed to rent a higher-cost unit.

**Absolute Shortage of Affordable Rental Housing Households by Income Threshold,\* 2007 and 2008**



ELI = Extremely Low Income (<=30% AMI)  
 VLI = Very Low Income (<=50% AMI)  
 Low Income = (<=80% AMI)

\* Units are affordable within an income category if rent and utilities cost 30% or less of top threshold income

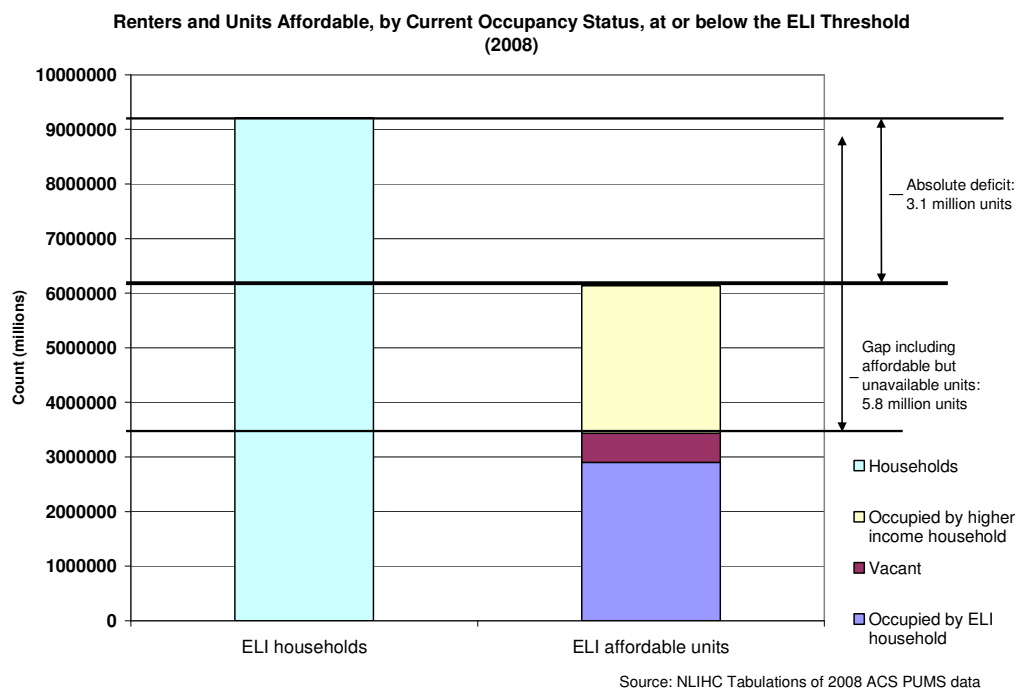
Source: NLIHC Tabulations of 2008 American Community Survey Data

**Figure 2 Demand outpaced supply for rental units affordable to low income households**

While the number of renters increased across all income categories, in this period at the tail end of the housing boom, the supply of rental units also increased by 933,000 units or 2.2%, and the number of affordable units increased in every income category except for ELI households. For very low income (VLI) and low income households, however, the increase was not enough to offset increased demand, and the absolute surplus of units in these categories shrunk as a result. Households in the ‘moderate’ and ‘above moderate’ categories continued to see the absolute surplus of units affordable to them grow modestly (Figure 2).

### A Continuing Shortage of Affordable and Available Units

The absolute shortage of units for households with the lowest incomes does not take into account the fact that all units with low rents are not available to those who need them. This is primarily because many lower cost units are occupied by households in a higher income category. Subtracting the households who currently live in a home that is affordable at or below their income category threshold and the available vacant rental stock affordable at or below this threshold from the total demand gives a more realistic picture of the availability of affordable housing.<sup>2</sup>

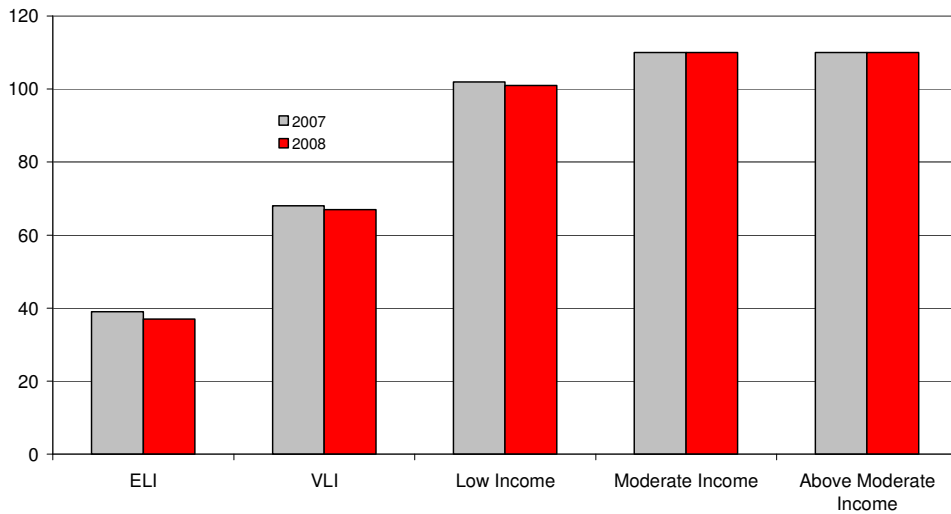


**Figure 3 ELI renter households far exceed the available affordable housing**

If only the vacant, affordable units are considered “available” to those occupying housing that is affordable only to higher income households, the situation for the lowest income households appears appreciably worse. With only 534,000 vacant units affordable to ELI households and 6.3 million ELI renter households in unaffordable housing, the measured gap between supply and demand grows to 5.8 million units (Figure 3). This translates into 37 of affordable and available housing for every 100 ELI households nationwide, down from 39 the year previously.

<sup>2</sup> This still does not take account of location, quality, size and other factors that further constrain the true availability of affordable housing to specific households.

**Affordable and Available Units per 100 Households at or below Threshold\*, 2007 and 2008**



ELI = Extremely Low Income (<=30% AMI)  
 VLI = Very Low Income (<=50% AMI)  
 Low Income = (<=80% AMI)

\* Units are affordable within an income category if rent and utilities cost 30% or less of top threshold

Source: NLIHC Tabulations of 2008 ACS PUMS data

**Figure 4 Affordable units became less available for low income households between 2007 and 2008**

In general, from 2007 to 2008 the shortage of affordable and available rental units grew worse for VLI and ELI households. The supply of affordable and available housing also declined for low income households, but there remained a slight surplus of 101 units for every 100 households, down from 102 units the year before. The surplus of units for moderate and above moderate households remained fairly constant at 110 units for every 100 households (Figure 4).

### Conclusion

The U.S. housing market remains in considerable flux. The 2008 American Community Survey provides the first comprehensive picture we have of the impact of the housing bust on the rental market nationwide. Across the entire market, despite a rapid increase in the number of renters, the supply of rental housing was growing and largely keeping pace with demand. However, this did not translate into the greater availability of affordable units for low income households. ELI and VLI renter households, in particular, faced a tighter market. ELI renter households faced a shortage of 5.8 million affordable and available units, and remained the only income category facing an absolute shortage of affordable units, which increased from 2.7 million to 3.1 million units.

## Appendix A 2007 Data

Basic Crosstabulation	Vacant Rental	ELI	VLI	Low Income	Moderate	Above Moderate	Total
					Income	Income	
Affordable to ELI (at or below 30% AMI)	596471	2878995	1016353	770579	520670	463134	6246202
Affordable to VLI (30.1%-50% of AMI)	1364627	2502619	2106846	2114498	1308565	799415	10196570
Affordable to LI (50.1% to 80% of AMI)	1298859	2695839	2631357	3710338	3344885	2707936	16389214
Affordable to Moderate Income (80.1-120% AMI)	378978	678602	620455	1012454	1266434	2115474	6072397
Affordable Above Moderate Income (Over 120.1% AMI)	206253	143370	119623	172681	231117	934167	1807211
Total	3845188	8899425	6494634	7780550	6671671	7020126	40711594

	Moderate Above Moderate					
	ELI	VLI	Low Income	Income	Income	Total
1. Additional Units Affordable within AMI Category	6,246,202	10,196,570	16,389,214	6,072,397	1,807,211	40,711,594
2. All Units Affordable at Threshold Income	6,246,202	16,442,772	32,831,986	38,904,383	40,711,594	40,711,594
2a Additional Vacant Units within Income Category	596,471	1,364,627	1,298,859	378,978	206,253	3,845,188
2b. All Vacant Units Affordable at Theshold Income	596,471	1,961,098	3,259,957	3,638,935	3,845,188	3,845,188
3. Households within AMI Category	8,899,425	6,494,634	7,780,550	6,671,671	7,020,126	36,866,406
4. All Households at or below Theshold Income	8,899,425	15,394,059	23,174,609	29,846,280	36,866,406	36,866,406
5. Surplus (Deficit) of Affordable Units within Income Category	(2,653,223)	3,701,936	8,608,664	(599,274)	(5,212,915)	3,845,188
6. Absolute Surplus (Deficit)	(2,653,223)	1,048,713	9,657,377	9,058,103	3,845,188	3,845,188
7. Affordable units per 100 tenants at or below Threshold	70	107	142	130	110	110
8. Occupy Unit Affordable to Lower Income Category	0	1,016,353	2,885,077	5,174,120	6,085,959	15,161,509
9. Occupy Unit Affordable Within Income Category	2,878,995	2,106,846	3,710,338	1,266,434	934,167	10,896,780
10. Occupy Unit Affordable Above Income Category	6,020,430	3,371,435	1,185,135	231,117	0	10,808,117
11. Percent of Units Occupied Below 30% of Income Range	0%	16%	37%	78%	87%	41%
12. Percent of Units Occupied in 30% of Income Range	32%	32%	48%	19%	13%	30%
13. Percent of Units Occupied Above 30% of Income Range	68%	52%	15%	3%	0%	29%
14. Units "Affordable and Available" at Threshold	3,475,466	10,465,911	23,687,381	32,818,424	40,711,594	40,711,594
15. Surplus (Deficit) of Aff. And Avail Units	(5,423,959)	(4,928,148)	512,772	2,972,144	3,845,188	3,845,188
16 Aff. and Avail. units per 100 tenants at or below Threshold	39	68	102	110	110	110

## Appendix B 2008 Data

Basic Crosstabulation	Vacant Rental	ELI	VLI	Low Income	Moderate	Above	Total
					Income	Moderate Income	
Affordable to ELI (at or below 30% AMI)	534029	2902802	1009815	750728	499329	436983	6133686
Affordable to VLI (30.1%-50% of AMI)	1353614	2579685	2121242	2148306	1343854	821520	10368221
Affordable to LI (50.1% to 80% of AMI)	1345823	2814910	2677298	3749427	3330795	2811640	16729893
Affordable to Moderate Income (80.1-120% AMI)	425685	746526	657720	1058545	1355657	2244106	6488239
Affordable Above Moderate Income (Over 120.1% AMI)	225268	166779	112872	177332	253663	988211	1924125
<b>Total</b>	<b>3884419</b>	<b>9210702</b>	<b>6578947</b>	<b>7884338</b>	<b>6783298</b>	<b>7302460</b>	<b>41644164</b>

	ELI	VLI	Low Income	Moderate	Above	Total
				Income	Income	
1. Additional Units Affordable within AMI Category	6,133,686	10,368,221	16,729,893	6,488,239	1,924,125	41,644,164
2. All Units Affordable at Threshold Income	6,133,686	16,501,907	33,231,800	39,720,039	41,644,164	41,644,164
2a Additional Vacant Units within Income Category	534,029	1,353,614	1,345,823	425,685	225,268	3,884,419
2b. All Vacant Units Affordable at Theshold Income	534,029	1,887,643	3,233,466	3,659,151	3,884,419	3,884,419
3. Households within AMI Category	9,210,702	6,578,947	7,884,338	6,783,298	7,302,460	37,759,745
4. All Households at or below Theshold Income	9,210,702	15,789,649	23,673,987	30,457,285	37,759,745	37,759,745
5. Surplus (Deficit) of Affordable Units within Income Category	(3,077,016)	3,789,274	8,845,555	(295,059)	(5,378,335)	3,884,419
6. Absolute Surplus (Deficit)	(3,077,016)	712,258	9,557,813	9,262,754	3,884,419	3,884,419
7. Affordable units per 100 tenants at or below Threshold	67	105	140	130	110	110
8. Occupy Unit Affordable to Lower Income Category	0	1,009,815	2,899,034	5,173,978	6,314,249	15,397,076
9. Occupy Unit Affordable Within Income Category	2,902,802	2,121,242	3,749,427	1,355,657	988,211	11,117,339
10. Occupy Unit Affordable Above Income Category	6,307,900	3,447,890	1,235,877	253,663	0	11,245,330
11. Percent of Units Occupied Below 30% of Income Range	0%	15%	37%	76%	86%	41%
12. Percent of Units Occupied in 30% of Income Range	32%	32%	48%	20%	14%	29%
13. Percent of Units Occupied Above 30% of Income Range	68%	52%	16%	4%	0%	30%
14. Units "Affordable and Available" at Threshold	3,436,831	10,501,187	23,987,679	33,405,790	41,644,164	41,644,164
15. Surplus (Deficit) of Aff. And Avail Units	(5,773,871)	(5,288,462)	313,692	2,948,505	3,884,419	3,884,419
16 Aff. and Avail. units per 100 tenants at or below Threshold	37	67	101	110	110	110

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